

Message Text

LIMITED OFFICIAL USE

PAGE 01 BUDAPE 02535 01 OF 02 231610Z

ACTION COME-00

INFO OCT-01 EUR-12 IO-13 ISO-00 AGRE-00 CEA-01 CIAE-00

DODE-00 EB-08 FRB-03 H-01 INR-10 INT-05 L-03

LAB-04 NSAE-00 NSC-05 PA-01 CTME-00 AID-05 SS-15

STR-07 ITC-01 TRSE-00 ICA-11 SP-02 SOE-02 OMB-01

DOE-15 AF-10 ARA-10 EA-10 NEA-11 JUSE-00 /167 W

-----030016 231651Z /72

P R 231446Z JUN 78

FM AMEMBASSY BUDAPEST

TO SECSTATE WASHDC PRIORITY 1787

INFO USMISSION GENEVA

LIMITED OFFICIAL USE SECTION 1 OF 2 BUDAPEST 2535

E.O. 11652: N/A

TAGS: HU, MTN, EEWT

SUBJECT: MTN REQUEST EXERCISE FOR HUNGARY

REF: (A) STATE 155024, (B) GENEVA 9287, (C) BUDAPEST 77 3974,

(D) GENEVA 77 11002

1. FOLLOWING INFORMATION KEYED TO QUESTIONS IN PARA TWO
REFTEL A LARGELY DRAWN FROM OUR OWN RESOURCES DUE TO SHORT
DEADLINE FO RESPONSE.

2. (A) ENTRY PROCEDURES HAVE NOT BEEN REGARDED AS PARTICULAR
PROBLEM AREA BY U.S. BUSINESSMEN ACTIVE IN HUNGARY. CATALOGUES
AND ADVERTISING SLIDES AND FILMS ARE ADMITTED DUTY-FREE, AS ARE
SAMPLES VAUED AT UNDER 300 FORINTS (APPROXIMATELY \$8 BUT
VALUED AT HUNGARIAN INTERNAL SELLING PRICE). IMPORTERS MAY
REQUEST TEMPORARY ADMISSION OF MORE VAULABLE SAMPLES, OR MAY
RENDER SAMPLES UNSALEABLE (BY USE OF DISTINCTIVE MARKING OR
DEFACING, FOR EXAMPLE). A VISITING BUSINESSMAN CAN BRING
SAMPLES WITH HIM, OR SHIP THEM TO HUNGARIAN ENTERPRISE; HE
CANNOT SHIP THEM TO HIMSELF OR TO A PRIVATE HUNGARIAN
LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 02 BUDAPE 02535 01 OF 02 231610Z

PERSON.

(B) WE HAVE LITTLE INFORMATION ON DISCRIMINATORY TAXES
AND OTHER TREATMENT OF WESTERN VERSES DOMESTIC OR CEMA GOODS.
GOH DENIES THERE ARE DISCRIMINATORY TAXES OR OTHER MEASURES,
EXCEPT NONAPPLICATION OF TARIFFS TO CEMA IMPORTS. DURING
TRADE NEGOTIATIONS, NYERGES EXPLAINED THAT:

(I) CEMA IMPORTS ARE NOT DUTIABLE BUT ARE SUBJECT TO
TURNOVER TAXES;

(II) PURPOSE OF TURNOVER TAXES IS NOT TO EQUAL EFFECT
OF TARRIFS BUT TO AVOID MARKET DISRUPTION;

(III) AT PRESENT TIME AVERAGE TURNOVER TAX IS 24
PERCENT VERSUS A TRADE-WEIGHTED AVERAGE 14 PERCENT TARIFF;

(IV) HARD-CURRENCY IMPORTS FROM CEMA COUNTRIES ARE SUBJECT
TO NORMAL TARIFFS.

IT IS DIFFICULT TO VERIFY ANY OF THIS INFORMATION;
CLEARLY HUNGARIAN AUTHORITIES PREFER TO SOURCE IMPORTS FROM
CEMA COUNTRIES WHEN POSSIBLE TO CONSERVE SCARCE HARD
CURRENCY. PRESUMABLY ADMINISTRATIVE PRESSURES
ARE USED TO FURTHER THIS PREFERENCE. ONE TRADE-DISTORTING
PRACTICE IS THE USE OF DOLLAR AND TRANSFERABLE RUBLE EXCHANGE
RATES WHICH OVERVALUE THE DOLLAR RELATIVE TO THE RUBLE.
THE COMMERCIAL EXCHANGE RATES APPLIED BY THE NATIONAL
BANK OF HUNGARY IN JUNE 1978 (U.S.\$1 EQUALS FORINTS 37.83, TR 1
EQUALS 33.50 FORINTS) IMPLY A DOLLAR-RUBLE CROSS EXCHANGE RATE OF
U.S.\$1 EQUALS 1.129 RUBLES, WHEN THE ACTUAL EXCHANGE RATE IS
U.S.\$1 - 0.696 RUBLES. THE FORINT RATES FOR OTHER
WESTERN CURRENCIES ARE IN PROPER PROPORTION TO THE
DOLLAR AND ARE SIMILARY OVERVAUED VIS-A-VIS THE RUBLE.

(C) ADVERTISING IN HUNGARIAN MEDIA (T.V., RADIO, PRESS)
LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 03 BUDAPE 02535 01 OF 02 231610Z

MUST BE PLACED THROUGH THE INTERMEDIARY OF ONE OF HUNGARY'S
TWO ADVERTISING ENTERPRISES, MAHIR OR HUNGEXPO; THE FOREIGN
ADVERTISER IS FREE IN THEORY TO SUPPLY HIS OWN ADVERTISING
MATERIAL. A HUNGARIAN IMPORTER OR EXPORTER MUST USE THE
HUNGARIAN STATE INSURANCE COMPANY WHEN THE TERMS OF A CONTRACT
REQUIRE THE HUNGARIAN PARTNER TO PAY INSURANCE COSTS; MASPED
(THE HUNGARIAN STATE FORWARDING AGENCY) MUST SIMILARLY BE USED
WHEN THE HUNGARIAN IMPORTER OR EXPORTER IS PAYING SHIPPING COSTS.
IN A SOMEWHAT DIFFERENT AREA, UNDER HUNGARIAN LAW A FOREIGNER
CANNOT REPRESENT HIMSELF BEFORE THE HUNGARIAN PATENT OFFICE --
ONE OF FOUR DESIGNATED PATENT AGENTS MUST BE USED AS A
REPRESENTATIVE.

(D) ONLY SPECIFIC QUANTITATIVE RESTRICTION OF WHICH
EMBASSY AWARE IS GLOBAL LIMIT ON CONSUMER GOODS IMPORTS
(\$83 MILLION IN 1978). WE HAVE REQUESTED APPOINTMENTS TO
DISCUSS DETAILS OF OPERATIONS OF THIS QUOTA, AND WILL
REPORT FURTHER. MEETING WITH LICENSING OFFICIAL REGARDING
CRITERIA FOR ISSUING IMPORT LICENSES (REFTER C PARA 1)
WAS DISAPPOINTING IN THAT CRITERIA REMAIN VAGUE.

LIMITED OFFICIAL USE

NNN

LIMITED OFFICIAL USE

PAGE 01 BUDAPE 02535 02 OF 02 231559Z
ACTION COME-00

INFO OCT-01 EUR-12 IO-13 ISO-00 AGRE-00 CEA-01 CIAE-00
DODE-00 EB-08 FRB-03 H-01 INR-10 INT-05 L-03
LAB-04 NSAE-00 NSC-05 PA-01 CTME-00 AID-05 SS-15
STR-07 ITC-01 TRSE-00 ICA-11 SP-02 SOE-02 OMB-01
DOE-15 AF-10 ARA-10 EA-10 NEA-11 JUSE-00 /167 W
-----029947 231651Z /72

P R 231446Z JUN 78
FM AMEMBASSY BUDAPEST
TO SECSTATE WASHDC PRIORITY 1788
INFO USMISSION GENEVA

LIMITED OFFICIAL USE SECTION 2 OF 2 BUDAPEST 2535

IMPORTS RELATED TO COOPERATIVE ARRANGEMENTS,
INCLUDING COUNTER-TRADE AGREEMENTS, ARE AUTOMATICALLY APPROVED
ONCE THE COOPERATION ARRANGEMENT ITSELF HAS BEEN APPROVED.
FOR OTHER IMPORTS, IMPORTING FTO IS EXPECTED TO JUSTIFY
TO MFT THE END-USER'S NEED FOR PRODUCT AND TO DEMONSTRATE
THAT IT HAS EXPLORED ALTERNATIVE SOURCES. EMBASSY WOULD
SUPPORT NYERGES CLAIM (REFTEL A PARA 3) THAT THERE ARE
NO PLANNED IMPORTS PER SE, ALTHOUGH OBVIOUSLY IMPORTS
RELATED TO A CENTRALLY-FINANCED INVESTMENT OR A PROJECT
WHICH HAS RECEIVED CREDIT FROM THE NATIONAL BANK'S EXPORT-
PROMOTING INVESTMENT FUND WOULD RECEIVE A LICENSE
MORE EASILY THAN AN IMPORT WITHOUT SUCH PRIOR IMPLICIT
APPROVAL. WHILE IMPORT LICENSING IS THORETICALLY AUTOMATIC
AS CLAIMED BY NYERGES (REFTEL D PARA 6), SYSTEM SUFFERS
FROM LACK OF TRANSPARENCY AND LEAVES MUCH ROOM
FOR ADMINISTRATIVE DISCRETION.

(E) ONLY HUNGARIAN PUBLICATION WITH TRADE STATISTICS
ON A DETAILED PRODUCT-BY-COUNTRY BASIS IS HUNGARIAN-LANGUAGE
FOREIGN TRADE STATISTICAL YEARBOOK (KULKERESKEDELM
STATISZTIKAI EVKONYV) WHICH APPEARS IN JULY OR AUGUST FOR
LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 02 BUDAPE 02535 02 OF 02 231559Z

PRECEDING YEAR. WE ASSUME DEPARTMENT HAS EXAMINED THIS

PUBLICATION. ENGLISH-LANGUAGE STATISTICAL YEARBOOK APPEARS MUCH LATER (WE ONLY RECENTLY RECEIVED THE 1976 EDITION) AND HAS MUCH LESS DETAIL ON FOREIGN TRADE. ON A MONTHLY BASIS, MONTHLY BULLETIN OF CENTRAL STATISTICAL OFFICE PROVIDES BREAKDOWN ONLY BY FIVE LARGE PRODUCT CATEGORIES AND BY RUBLE VERSUS CONVERTABLE CURRENCY PAYMENT. ON OTHER BUSINESS FACILITATION MATTERS, THERE ARE A NUMBER OF PROBLEMS, INCLUDING:

(I) DIFFICULTY OF OBTAINING PERMISSION TO OPEN BUSINESS OFFICES AND NECESSITY OF USING OFFICIAL AGENCIES TO SECURE OFFICE SPACE, LOCAL PERSONNEL, AND OTHER SERVICES;
(II) DIFFICULTY OF ACCESS TO END-USERS, AND REQUIREMENT FOR TIME-CONSUMING REQUESTS INCLUDING IRRELEVANT PERSONAL DATA TO ARRANGE PLANT VISITS:

(III) INADEQUACY OF TELEPHONE SYSTEM;

(IV) REQUIREMENT FOR A SEPARATE VISA FOR EACH ENTRY.
A NUMBER OF THESE PROBLEMS WERE ADDRESSED IN TRADE AGREEMENT AND WE DOUBT THAT IT WOULD BE HELPFUL TO RAISE SAME ISSUES IN MTN CONTEXT BEFORE ACCUMULATING EXPERIENCE WITH AGREEMENT.

3. EMBASSY GENERALLY CONCURS WITH TARIFF CATEGORIES CITED IN PARA 4 REFTEL A, WHICH APPEAR TO BE BASED ON 15 TARGET INDUSTRIES IDENTIFIED BY DIM IN DEPARTMENT OF COMMERCE. WE WOULD DE-EMPHASIZE BTN NUMBERS 84.22 AND 85.01 BECAUSE MUCH OF THAT EQUIPMENT IS AVAILABLE FROM CEMA SOURCES AND U.S. WOULD PROBABLY NOT BE A MAJOR SUPPLIER; 84.27 (WINE-MAKING EQUIPMENT) ALSO HAS LIMITED POTENTIAL. A PARTIAL LIST OF OTHER BTN NUMBERS WITH MARKET POTENTIAL INCLUDES 84.17 - 84.19, 84.35, 84.36 84.40, 84.42, 84.46, 84.53, 84.54 AND 85.13 - 85.17.
LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 03 BUDAPE 02535 02 OF 02 231559Z

KAISER

LIMITED OFFICIAL USE

NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 jan 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: LAW, POLICIES, FOREIGN INVESTMENTS, INVESTMENT OPPORTUNITIES, BUSINESS FIRMS
Control Number: n/a
Copy: SINGLE
Draft Date: 23 jun 1978
Decaption Date: 01 jan 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 20 Mar 2014
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1978BUDAPE02535
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Expiration:
Film Number: D780262-0686
Format: TEL
From: BUDAPEST
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1978/newtext/t19780627/aaaaaxfn.tel
Line Count: 209
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: 6d90a182-c288-dd11-92da-001cc4696bcc
Office: ACTION COME
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 4
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: 78 STATE 155024, 78 GENEVA 9287, 78 BUDAPEST 77, 78 GENEVA 77
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 05 may 2005
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: N/A
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 2232611
Secure: OPEN
Status: NATIVE
Subject: MTN REQUEST EXERCISE FOR HUNGARY
TAGS: EEWT, HU, US, MTN
To: STATE
Type: TE
vdkgvwkey: odb://SAS/SAS.dbo.SAS_Docs/6d90a182-c288-dd11-92da-001cc4696bcc
Review Markings:
Sheryl P. Walter
Declassified/Released
US Department of State
EO Systematic Review
20 Mar 2014
Markings: Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014